

Message Text

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ACTION ARA-14

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TO SECSTATE WASHDC 6925

INFO AMEMBASSY MADRID

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C O N F I D E N T I A L SECTION 01 OF 02 MEXICO 20590

E. O. 11652: GDS

TAGS: PINT, PGOV, EGEN, MX

SUBJECT: MONTHLY HIGHLIGHTS--OCTOBER AND NOVEMBER 1977

1. SUMMARY: ON THE ECONOMIC FRONT THE MAJOR NEWS ITEM WAS THE RESIGNATION OF THE MINISTERS OF FINANCE AND BUDGET, BECAUSE OF THEIR INABILITY TO WORK TOGETHER IN PLANNING THE 1978 BUDGET. NO MAJOR CHANGES IN ECONOMIC POLICY ARE ANTICIPATED WHEN BUDGET IS ANNOUNCED. THE PRI-DOMINATED CONGRESS APPROVED PRESIDENT LOPEZ PORTILLO'S POLITICAL REFORM PROGRAM AND THE 1976 GOVERNMENT EXPENDITURES ACCOUNT OF EX-PRESIDENT ECHEVERRIA. BOTH PROGRAMS WERE ATTACKED BY THE OPPOSITION (PAN) NATIONAL ACTION PARTY TO NO AVAIL. THE STATE OF OAXACA EXPERIENCED A RESURGENCE OF DISTURBANCES STEMMING FROM CAMPUS POLITICS AND MUNICIPAL ELECTIONS. RIOS CAMARENA, WHILE AWAITING EXTRADITION CHARGES FROM THE U. S. TO MEXICO, THREATENED TO IMPLICATE OTHER POLITICIANS IN THE FRAUD CHARGES AGAINST HIM. MEXICAN FOREIGN POLICY WAS HIGHLIGHTED BY LOPEZ PORTILLO'S VISIT TO SPAIN (THE FIRST VISIT BY A MEXICAN PRESIDENT TO SPAIN IN FORTY YEARS), THE BORDER MEETING BETWEEN MRS. CONFIDENTIAL

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CARTER AND MRS. LOPEZ PORTILLO, AND THE VISIT TO MEXICO OF ISRAELI PRESIDENT EPHRAIM KATZIR, WHICH SIGNED AN END TO THE RIFT BETWEEN THE TWO NATIONS. END SUMMARY.

2. THE MAJOR ECONOMIC NEWS STORY OVER THE PAST TWO MONTHS WAS THE RESIGNATION OF THE MINISTERS OF FINANCE AND BUDGET. THE RESIGNATIONS, AT THE PRESIDENT'S REQUEST, WERE DUE TO

THEIR INABILITY TO WORK TOGETHER. THIS IN TURN REFLECTED THEIR PERSONAL AND POLITICAL INCOMPATIBILITY. TELLO WANTED AN EXPANSIONARY BUDGET IN 1978, WHEREAS MOCTEZUMA PREFERRED TO CONTINUE A POLICY OF RESTRAINING PUBLIC SECTOR SPENDING. THE PRESIDENT HAS APPARENTLY OPTED FOR THE PROGRAM THAT MOCTEZUMA WAS PUSHING, AT LEAST FOR THE FIRST HALF OF 1978.

3. THE TWO NEW MINISTERS, DAVID IBARRA AT TREASURY AND RICARDO GARCIA SAINZ AT BUDGET ARE, ALONG WITH THEIR HELDOVER SUBORDINATES, REPORTEDLY WORKING WELL TOGETHER IN THE FINAL PREPARATION OF THE 1978 BUDGET. THIS WILL BE PRESENTED TO CONGRESS BY DECEMBER 15, AND WILL BE THE FIRST PUBLIC INDICATION OF THE GOM'S ECONOMIC POLICY FOR THE COMING YEAR. THE PRESIDENT, IN HIS NOVEMBER 30 PRESS CONFERENCE REFUSED TO COMMENT ON ANY DETAILS IN THIS REGARD. RATHER, HE REITERATED POINTS HE HAD MADE PREVIOUSLY, IN PARTICULAR THE NEED TO MOVE AWAY FROM THE IMPORT-SUBSTITUTION DEVELOPMENT STRATEGY PURSUED FOR THE PAST 30 OR MORE YEARS.

4. THE PRESIDENT ALSO USED HIS PRESS CONFERENCE TO DEFEND VIGOROUSLY HIS ADMINISTRATION'S AGREEMENTS WITH THE IMF. THE FUND HAS BEEN CHARACTERIZED AS A VILLAIN BY A NUMBER OF MEXICAN POLITICIANS, INCLUDING THE DEPOSED BUDGET MINISTER. THE MORE CONSERVATIVE ELEMENTS IN THE GOVERN-
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MENT HOPE THAT THE PRESIDENT'S REMARKS WILL QUIET THIS CRITICISM.

5. ON THE DOMESTIC FRONT THE PRI DOMINATED MEXICAN CONGRESS APPROVED TWO CONTROVERSIAL PROPOSALS--PRESIDENT LOPEZ PORTILLO'S POLITICAL REFORM PROGRAM AND EX-PRESIDENT ECHEVERRIA'S 1976 GOVERNMENT EXPENDITURES ACCOUNT. THE OPPOSITION, PAN, ATTACKED BOTH PROPOSALS. PAN HAD NO EFFECT ON THE SUBSTANCE OF THE POLITICAL REFORM PROGRAM, BUT DID EMBARRASS THE PRI ON THE LATTER, BY FORCING IT TO DEFEND ECHEVERRIA'S 1976 GOVERNMENT EXPENDITURES.

6. IN ADDITION TO THE VERBAL FEINTS BETWEEN CONGRESSMEN, REAL BLOWS WERE EXCHANGED BETWEEN POLICE AND STUDENTS IN OAXACA, LEAVING SEVERAL DEAD AND WOUNDED, AS A RESULT OF THE REVIVAL OF POLITICAL DISPUTES AT THE UNIVERSITY OF BENITO JUAREZ. THE RELATIVELY CALM ATMOSPHERE AT THE UNIVERSITY, WHICH HAD PREVAILED SINCE MID-SUMMER, DISINTEGRATED AS A COALITION OF STUDENTS, WORKERS, AND CAMPE- SINOS CALLED FOR THE REMOVAL OF RECTOR FELIPE MARTINEZ SORIANO, WHOM THEY HAD SUPPORTED FOR THE POSITION EARLIER IN THE YEAR. GOVERNOR ELISEO JIMENEZ RUIZ CALLED IN

TROOPS AS A SHOW OF FORCE, BUT LEFT THE HANDLING OF DEMONSTRATORS TO THE POLICE AND THE POLITICAL DISPUTE TO THE CAMPUS FACTIONS. INITIALLY TAKING A PUBLIC HANDS-OFF POLICY, JIMENEZ LATER CHanneled THE UNIVERSITY SUBSIDY THROUGH A COMMITTEE OPPOSED TO MARTINEZ AND THEN REMOVED MARTINEZ ON DECEMBER 6. AS A BACKDROP TO THE CAMPUS FEUD, THE PRI WON ALL SEATS IN THE MUNICIPAL ELECTIONS IN OAXACA, FOLLOWED BY THE USUAL CHARGES OF ELECTION FRAUD FROM THE POPULAR SOCIALIST PARTY (PPS). THE ELECTIONS ALSO SPARKED SOME POLITICAL VIOLENCE, AS LOCAL POLITICOS FOUGHT (IN SOME CASES PHYSICALLY) TO CONTROL BALLOT BOXES AND

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FRIGHTENED CITIZENS FROM VOTING. IN THIS ROUND OF THE STRUGGLE IN OAXACA THE PRI HAS MAINTAINED CONTROL THROUGH SUBTLE MANIPULATION OF THE UNIVERSITY DISPUTE AND SIMPLE FIXING OF THE MUNICIPAL ELECTIONS.

7. THE FUROR IN THE MEXICAN PRESS FOR THE EXTRADITION OF ALFREDO RIOS CAMARENA FROM FLORIDA TO FACE CHARGES OF CORRUPTION IN THE BAHIA DE BANDERAS FRAUD DROPPED SHARPLY WHEN RIOS THREATENED TO IMPLICATE OTHERS. RIOS ALLEGES THAT HE USED A PORTION OF THE EMBEZZLED MONEY TO RIG THE ELECTION FOR GOVERNOR IN NAYARIT IN WHICH THE PRI CANDIDATE, FLORES CUIEL, DEFEATED THEPPS CANDIDATE, ALEJANDRO GASCON MERCADO. WHILE KEY MEMBERS OF THE PRI DENY RECEIVING MONEY FROM RIOS, HIS TESTIMONY AT THIS TIME COULD BE INCONVENIENT FOR MEMBERS OF THE PRI. THE ATTORNEY GENERAL SAID HE WOULD INVESTIGATE ANY ACCUSATIONS

STEMMING FROM THE BAHIA DE BANDERAS FRAUD.

8. MEXICAN FOREIGN POLICY FOR THE REPORTING PERIOD WAS CHARACTERIZED BY SEVERAL IMPORTANT SYMBOLIC GESTURES WHICH THE GOM OBVIOUSLY HOPES WILL BE CONVERTED INTO
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CONCRETE ECONOMIC BENEFITS FOR MEXICO. THE FIRST SUCH EVENT WAS THE LONG-AWAITED VISIT BY PRESIDENT LOPEZ PORTILLO TO SPAIN OCTOBER 10-16. THOUSANDS OF MEXICANS "INVADED" SPAIN AS THE DATE OF THE STATE VISIT NEARED, AND JLP'S FINAL ITINERARY MADE IT CLEAR THAT THE MEXICANS WANTED TO MAKE UP FOR ALL THEY HAD MISSED DURING THE LAST FORTY YEARS. BESIDES RAMPANT EMOTIONALISM, SOME CONCRETE AGREEMENTS WERE PRODUCED INVOLVING A WIDE RANGE OF ECONOMIC AND CULTURAL COOPERATIVE EFFORTS SOME OF WHICH HAVE BEGUN TO MATERIALIZE ALREADY. CLEARLY IN THE BACK OF THE MINDS OF SOME OF THE MORE HARDNOSED GOM OFFICIALS ON THE VISIT WAS THE POSSIBILITY THAT SPAIN WILL BECOME IN THE FUTURE THE KEY TO STRENGTHENING MEXICO'S ECONOMIC TIES TO EUROPE.

9. NORTHERN HEMISPHERE RELATIONS WERE ACCENTED BY THE MEETING OF US AND MEXICAN FIRST LADIES IN CIUDAD JUAREZ AT THE BEGINNING OF NOVEMBER AND BY FOREIGN SECRETARY ROEL'S TRIP TO CANADA IN MID-NOVEMBER. THE FIRST LADIES' MEETING EMPHASIZED THE IMPROVEMENT OF CULTURAL ACTIVITIES ALONG THE BORDER AND REPRESENTED ANOTHER STEP IN IMPROVING COOPERATION BETWEEN THE U. S. AND MEXICO. DURING ROEL'S TRIP TO CANADA, CONCRETE ECONOMIC MEASURES WERE TOUCHED UPON AND FOLLOW-UP PROCEDURES DEVISED.

10. FINALLY, ON NOVEMBER 21, THE PRESIDENT OF ISRAEL, EPHRAIM KATZIR ARRIVED FOR A SIX DAY STATE VISIT WHICH SYMBOLIZED THE REBIRTH OF MEXICAN-ISRAELI FRIENDSHIP THAT BOTH GOVERNMENTS HAD BEEN WORKING TOWARD FOR THE PAST EIGHTEEN MONTHS. WITH AN EYE TOWARD THE AMERICAN JEWISH TOURIST, JLP POURED OUT PRAISE OF ISRAEL, OF MEXICAN-ISRAELI FRIENDSHIP, AND OF THE SADAT-BEGIN OVERTURES WHICH HAPPILY COINCIDED WITH THE KATZIR VISIT. WHILE NO
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DECISIONS OF SUBSTANCE WERE ARRIVED AT, THE VISIT WAS IMPORTANT IN THAT IT SHOWED THAT THE TENSIONS BETWEEN THE TWO NATIONS, BASED ON MEXICAN SUPPORT OF THE "ZIONISM AS RACISM" RESOLUTIONS, HAVE BEEN PUT TO REST. LUCEY

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